

WAYNE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

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GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Wayne County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District (District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

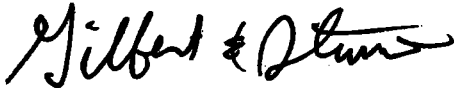
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of June 30, 2006, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart", written in dark ink.

GILBERT & STEWART, CPA'S
November 27, 2006

Management's Discussion and Analysis

As management of the Wayne County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *capital projects fund*, and *debt service fund*, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 14 to 18 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 21 to 24 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Combining and individual fund statements and schedules can be found on pages 35 to 44 of this report.

Government-Wide Financial Analysis (full accrual basis of accounting)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,291,792 at June 30, 2006. Below is a summary of the District's assets, liabilities, and net assets.

WAYNE COUNTY SCHOOL DISTRICT'S Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 2,762,341	\$ 2,644,020
Capital assets	6,001,758	6,201,661
Total assets	<u>\$ 8,764,099</u>	<u>\$ 8,845,681</u>
Current and other liabilities	\$ 1,335,318	\$ 1,295,896
Noncurrent liabilities	2,136,988	2,325,112
	<u>3,472,306</u>	<u>3,621,008</u>
Net Assets:		
Invested in capital assets		
net of related debt	3,939,419	3,948,548
Restricted	1,256,874	1,172,479
Unrestricted	95,499	103,645
	<u>\$ 5,291,792</u>	<u>\$ 5,224,672</u>

The largest portion of the District's net assets (74%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (24%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (2%) may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- Designation for Undistributed Reserve

As allowed by law, the District has established an *undistributed reserve* of \$100,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating.

As of June 30, 2006, the District is able to report positive balances in all three categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

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WAYNE COUNTY SCHOOL DISTRICT'S Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 64,561	\$ 64,714
Operating grants and contributions	1,970,647	1,961,688
General Revenues:		
Property taxes	904,851	901,622
Federal and state aid not restricted to specific purposes	1,849,124	1,879,214
Earnings on investments	54,807	27,483
Miscellaneous	169,797	166,842
Total revenues	<u>5,013,787</u>	<u>5,001,563</u>
Expenses:		
Instruction	3,156,440	3,043,305
Support services:		
Students	80,084	70,298
Instructional staff	126,711	104,318
District administration	206,537	164,541
School administration	293,106	281,686
Business	85,009	113,786
Operation & maintenance of plant	444,016	446,077
Transportation	320,566	365,844
School lunch services	201,382	201,141
Interest on long term liabilities	32,816	26,879
Total expenses	<u>4,946,667</u>	<u>4,817,875</u>
Changes in net assets	67,120	183,688
Net assets, beginning	5,224,672	5,040,984
Net assets, ending	<u>\$ 5,291,792</u>	<u>\$ 5,224,672</u>

Financial Analysis of the District's Funds (modified accrual basis)

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The *general fund* is the chief operating fund of the District. At June 30, 2006, unreserved and undesignated fund balance was \$30,382 while the total fund balance was \$130,382. The unreserved and undesignated fund balance decreased by \$364 while the total fund balance also decreased by \$364 during the fiscal year. Annual expenditures in the general fund were \$27,623 less than the final budgeted amounts, and resources available for appropriation were \$945 more than final budgeted amounts.

The *capital projects fund* has a total fund balance of \$1,097,288, of which \$0 is restricted for acquisition of capital assets and related expenditures. The fund balance increased by \$83,788 during the fiscal year.

The *municipal building authority fund* has a total fund balance of \$25,496, all of which is reserve for the payment of debt service on lease revenue bonds. The fund balance increased by \$856 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund balance of \$132,321. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs and other community programs. The fund balance increased by \$154 during the fiscal year.

The *school lunch special revenue fund* has a total fund balance of \$4,982. This balance is within the total allowed by state guidelines and is restricted to food service programs. The fund balance decrease by \$27 during the fiscal year.

Capital Assets and Debt Administration

A. Capital Assets

The capital projects fund is used primarily to account for costs incurred in acquiring, maintaining, and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, 2006 are outlined below:

WAYNE COUNTY SCHOOL DISTRICT'S
Capital Assets
(net of accumulated depreciation)

	<u>2006</u>	<u>2005</u>
Land	\$ 176,433	\$ 176,433
Water Stock	3,500	350
Buildings	5,356,316	5,519,447
Furniture and Equipment	<u>465,509</u>	<u>502,281</u>
	<u>\$ 6,001,758</u>	<u>\$ 6,198,511</u>

B. Debt Administration

The general obligation bond debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 was \$5,935,789 while the general obligation debt at that date was \$0 resulting in a legal debt margin of \$5,935,789. The District Municipal Building Authority has outstanding lease revenue bonds at June 30, 2006 of \$1,926,000. This debt was reduced by principal payments of \$137,000 during the fiscal year.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Wayne County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Business Administrator, Wayne County School District, 79 North 100 West, Bicknell, Utah 84715.

BASIC FINANCIAL STATEMENTS

WAYNE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Cash and investments	\$ 1,503,847
Receivables:	
Property taxes	708,148
Other governments	469,142
Prepaid Expenditures	38,516
Inventories	2,921
Bond issuance costs, net	39,767
Capital assets:	
Land, construction in progress, and water stock	179,933
Other capital assets, net of accumulated depreciation	<u>5,821,825</u>
Total assets	<u>8,764,099</u>
Liabilities:	
Accounts payable	352,128
Accrued interest	3,213
Accrued salaries	291,918
Deferred revenue:	
Property taxes	685,138
Other governments	2,921
Noncurrent liabilities:	
Due within one year	192,034
Due in more than one year	<u>1,944,954</u>
Total liabilities	<u>3,472,306</u>
Net Assets:	
Invested in capital assets, net of related debt	3,939,419
Restricted for:	
School lunch	4,982
Non K-12 programs	132,321
Municipal building authority	22,283
Capital projects	1,097,288
Unrestricted	<u>95,499</u>
Total net assets	<u><u>\$ 5,291,792</u></u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 3,156,440	\$ 4,299	\$ 1,466,787	\$ -	\$ (1,685,354)
Supporting services:					
Students	80,084	-	49,138	-	(30,946)
Instructional staff	126,711	-	102,914	-	(23,797)
District administration	206,537	-	-	-	(206,537)
School administration	293,106	-	3,848	-	(289,258)
Business	85,009	-	-	-	(85,009)
Operation and maintenance of facilities	444,016	-	-	-	(444,016)
Transportation	274,303	-	227,617	-	(46,686)
Other	46,263	-	-	-	(46,263)
School lunch services	201,382	60,262	120,343	-	(20,777)
Interest on long-term liabilities	32,816	-	-	-	(32,816)
Total school district	\$ 4,946,667	\$ 64,561	\$ 1,970,647	\$ -	(2,911,459)
General revenues:					
Property taxes levied for:					
General purposes					
Transportation					
Capital outlay					
Federal and state aid not restricted to specific purposes					
Earnings on investments					
Miscellaneous					
Total general revenues					
Change in net assets					
Net assets - beginning					
Net assets - ending					
398,388					
49,938					
456,525					
1,849,124					
54,807					
169,797					
2,978,579					
67,120					
5,224,672					
\$ 5,291,792					

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2006

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Assets:				
Cash and investments	\$ 261,333	\$ 1,085,679	\$ 156,835	\$ 1,503,847
Receivables:				
Property taxes	327,037	381,111	-	708,148
Other governments	463,178		5,964	469,142
Other receivables	38,516	-	-	38,516
Inventory			2,921	2,921
Due from other funds	-	-	982	982
Total assets	<u>\$ 1,090,064</u>	<u>\$ 1,466,790</u>	<u>\$ 166,702</u>	<u>\$ 2,723,556</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 352,128		\$ -	\$ 352,128
Accrued salaries	291,918	-	-	291,918
Due to other funds	-	-	982	982
Deferred revenue:				
Property taxes	315,636	369,502	-	685,138
Other governments	-		2,921	2,921
Local sources	-	-	-	-
Total liabilities	<u>959,682</u>	<u>369,502</u>	<u>3,903</u>	<u>1,333,087</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	24,300	24,300
Unreserved:				
Designated for:				
Undistributed reserve	100,000	-	-	100,000
Undesignated, reported in:				
General fund	30,382	-	-	30,382
Capital projects fund	-	1,097,288	-	1,097,288
Special revenue funds	-	-	138,499	138,499
Total fund balances	<u>130,382</u>	<u>1,097,288</u>	<u>162,799</u>	<u>1,390,469</u>
Total liabilities and fund balances	<u>\$ 1,090,064</u>	<u>\$ 1,466,790</u>	<u>\$ 166,702</u>	<u>\$ 2,723,556</u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Total fund balances for governmental funds	\$ 1,390,469
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	176,432	
Water stock		3,500	
Buildings and improvements, net of \$2,964,670 accumulated depreciation		5,356,316	
Furniture and equipment, net of \$649,132 accumulated depreciation		465,509	6,001,757

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$2,605 and accrued interest for obligations under capital leases is \$608.	(3,213)
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Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$76,975 and accumulated amortization is \$37,208.	39,767
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(1,926,000)		
Obligations under capital leases	(136,338)		
Accrued sick leave	(74,650)		
Early retirement payable	0		(2,136,988)

Total net assets of governmental activities	\$ 5,291,792
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WAYNE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Revenues:				
Property taxes	\$ 448,326	\$ 456,525	\$ -	\$ 904,851
Earnings on investments	53,951	-	856	54,807
School lunch sales	-	-	60,262	60,262
Other local sources	172,798	-	1,298	174,096
State aid	3,342,212	-	49,263	3,391,475
Federal aid	325,228	-	103,068	428,296
Total revenues	4,342,515	456,525	214,747	5,013,787
Expenditures:				
Current:				
Instructional services	2,799,334	66,000	33,132	2,898,466
Supporting services:				
Students	80,084	-	-	80,084
Instructional staff	126,711	-	-	126,711
District administration	191,244	-	-	191,244
School administration	289,387	-	-	289,387
Business	84,724	-	-	84,724
Operation and maintenance of facilities	424,161	-	1,400	425,561
Transportation	226,996	-	-	226,996
Other	46,263	-	-	46,263
School lunch services	-	-	199,632	199,632
Capital outlay	-	137,098	-	137,098
Debt service:				
Principal retirement	47,312	6,462	137,000	190,774
Interest and fiscal charges	7,663	2,085	22,692	32,440
Total expenditures	4,323,879	211,645	393,856	4,929,380
Excess (deficiency) of revenues over (under) expenditures	18,636	244,880	(179,109)	84,407
Other financing sources (uses):				
Transfers	(19,000)	(161,092)	180,092	-
Capital Lease Proceeds	-	-	-	-
Total other financing sources (uses)	(19,000)	(161,092)	180,092	-
Net change in fund balances	(364)	83,788	983	84,407
Fund balances - beginning	130,746	1,013,500	161,816	1,306,062
Fund balances - ending	\$ 130,382	\$ 1,097,288	\$ 162,799	\$ 1,390,469

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances-total governmental funds	\$	84,407
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	32,870	
Depreciation expense		(232,773)	(199,903)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Other financing source - capital lease	-		
Principal payments of capital leases		53,774	53,774

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	137,000		
Interest expense - general obligation bonds		(376)	
Amortization of bond issuance costs		(5,132)	
Amortization of bond premium		-	131,492

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued vacation increased by \$2,650.

Change in net assets of governmental activities	\$	67,120
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WAYNE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 346,328	\$ 448,400	\$ 448,326	\$ (74)
Earnings on investments	28,000	55,000	53,951	(1,049)
Other local sources	62,432	171,000	172,798	1,798
State aid	3,182,051	3,342,270	3,342,212	(58)
Federal aid	303,476	324,900	325,228	328
Total revenues	3,922,287	4,341,570	4,342,515	945
Expenditures:				
Current:				
Instructional services	2,757,300	2,799,700	2,799,334	366
Supporting services:				
Students	10,200	80,500	80,084	416
Instructional staff	57,200	127,950	126,711	1,239
District administration	121,348	194,600	191,244	3,356
School administration	294,700	290,500	289,387	1,113
Business	67,685	84,852	84,724	128
Operation and maintenance of facilities	383,900	429,400	424,161	5,239
Transportation	277,100	285,400	281,971	3,429
Other	58,600	58,600	46,263	12,337
Total expenditures	4,028,033	4,351,502	4,323,879	27,623
Excess of revenues over expenditures	(105,746)	(9,932)	18,636	28,568
Other financing sources (uses):				
Capital lease proceeds	-	-	-	-
Transfer in	-	-	-	-
Transfer out	(25,000)	(25,000)	(19,000)	6,000
Net change in fund balances	(130,746)	(34,932)	(364)	34,568
Fund balances - beginning	130,746	130,746	130,746	-
Fund balances - ending	\$ -	\$ 95,814	\$ 130,382	\$ 34,568

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 22,878
Due From Cafeteria Plan Participants	-
Total Cash and investments	<u>\$ 22,878</u>
Liabilities	
Due to student groups	\$ 2,458
Due to cafeteria plan participants	<u>20,420</u>
Total liabilities	<u>\$ 22,878</u>

The notes to the financial statements are an integral part of this statement.

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WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wayne County School District have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The Board establishes District policies, approves budgets, appoints a Superintendent with responsibilities for administering all educational activities of the District, and appoints a Business Administrator with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, levy property taxes, and is not dependent on any other unit of local government. As required by GAAP, these basic financial statements present the activities of the District. The District is not a component unit of any other primary government.

Government-wide and fund financial statements – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

The District reports the following nonmajor special revenue funds that receive revenues which are restricted to expenditures for specified purposes:

- The *school food services fund* accounts for preparation and service of school lunches and breakfasts.
- The *non k-12 fund* accounts for preschool, adult education, recreation and other non K-12 programs.
- The *municipal building authority* accounts for lease revenue and debt service payments for the lease revenue bonds.

Additionally, the District reports the following fund type:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups and others. The agency fund also is used to account for cafeteria plan payments and collections for District employees.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Measurement focus, basis of accounting, and financial statement presentation –

The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2006, have been included in the final budget approved by the Board, as presented in the financial statements. Budgets were amended at year end.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds and the internal service fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Pool (PTIF).

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resource.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenues and expenditures on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Furniture	15
Portable Classrooms	15
Machinery and Tools	15
Buses	15
Laboratory Equipment	10
Musical Instruments	10
Licensed Vehicles	10
Computers	5

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 120 days at \$100 per day. No reimbursement or accrual is made for unused vacation leave.

All sick pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The district follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the Utah Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006, the District's custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2006</u>
Regular Checking Account	Insured	\$ 125,595
Regular Checking Account	Uninsured and collateralized	<u>35,369</u>
		<u>\$ 160,964</u>

B. Investments

The District's investments are managed through participation in the state Public Treasurer's Investment Fund. As of June 30, 2006, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers' Investment Fund	42 days average	<u>\$1,464,972</u>

Investments – Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Investments – Credit Risk – The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

Investments – Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Wayne County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2006, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2006 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 176,433	\$ -	\$ -	\$ 176,433
Construction in progress	-	-	-	-
Water stock	3,500	-	-	3,500
Total capital assets, not being depreciated	179,933	-	-	179,933
Capital assets, being depreciated:				
Buildings and improvements	8,320,986	-	-	8,320,986
Furniture and equipment	1,058,771	32,870	23,000	1,114,641
Total capital assets, being depreciated	9,379,757	32,870	23,000	9,435,627
Accumulated depreciation for:				
Buildings and improvements	(2,801,539)	(163,131)	-	(2,964,670)
Furniture and equipment	(556,490)	(69,642)	(23,000)	(649,132)
Total accumulated depreciation	(3,358,029)	(232,773)	(23,000)	(3,613,802)
Total capital assets, being depreciated, net	6,021,728	(199,903)	-	5,821,825
Governmental activities capital assets, net	\$ 6,201,661	\$ (199,903)	\$ -	\$ 6,001,758

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 148,614
Supporting services:	
District administration	15,293
School administration	1,569
Central	285
Operation and maintenance of facilities	17,955
Transportation	47,307
Other	-
School lunch services	1,750
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the assets	
Total depreciation expense, governmental activities	<u>\$ 232,773</u>

5. RETIREMENT PLANS

Defined Benefit Plans - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Wayne County School District is required to contribute 5.91% of their member's annual covered salary. Wayne County School District is not currently participating in the Contributory System. In the State and School Noncontributory Retirement System the

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Wayne County School District is required to contribute 13.38% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$0, \$0 and \$0 respectively. The Noncontributory Retirement System contributions for June 30, 2006, 2005 and 2004 were \$274,686, \$293,605, and \$237,591 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2006, 2005, and 2004 were \$30,795, \$32,916 and \$30,512 respectively; the employee contributions for the years ending June 30, 2006, 2005, and 2004 were \$66,218, \$66,119 and \$78,049 respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Lease Revenue Bonds	\$ 2,063,000	\$ -	\$ (137,000)	\$ 1,926,000	\$ 150,000
Deferred amounts for issuance					
Premium	-	-	-	-	-
Deferred amounts on refunding					
Total bonds payable, net	2,063,000	-	(137,000)	1,926,000	150,000
Obligations under capital leases	190,112		(53,774)	136,338	42,034
Arbitrage rebate payable		-		-	-
Accrued vacation or sick pay	72,000	2,650	-	74,650	-
Early retirement payable				-	-
Total governmental activity					
long-term liabilities	<u>\$ 2,325,112</u>	<u>\$ 2,650</u>	<u>\$ (190,774)</u>	<u>\$ 2,136,988</u>	<u>\$ 192,034</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation, sick leave, and early retirement benefits will be paid by the fund in which the employee worked.

Lease Revenue Bonds - The District issued municipal building authority lease revenue bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. Outstanding lease revenue bonds at June 30, 2006 are as follows:

	<u>Rates</u>	<u>Matur. Dates</u>	<u>Balance</u>
Series 1999 Dated 1999 - Original			
Amount \$2,579,000	1.1 %	2015	<u>\$ 1,926,000</u>
Total			<u>\$ 1,926,000</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The debt service requirements to maturity for the lease revenue bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 150,000	\$ 21,186	\$ 171,186
2008	164,000	19,538	183,538
2009	179,000	17,732	196,732
2010	194,000	15,865	209,865
2011	211,000	13,629	224,629
2012-2015	<u>1,028,000</u>	<u>29,246</u>	<u>1,057,246</u>
Total	<u>\$1,926,000</u>	<u>\$ 117,196</u>	<u>\$ 2,043,196</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 is \$5,935,789. General obligation debt at June 30, 2006 is \$0, resulting in a legal debt margin of \$5,935,789.

Obligations Under Capital Lease – The District obtained equipment and buses under capital lease arrangements. Annual payments are funded either through the capital projects fund or from transportation. The future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 42,034	\$ 5,263	\$ 47,297
2008	44,202	3,264	47,466
2009	35,856	1,805	37,661
2010	<u>14,246</u>	<u>502</u>	<u>14,748</u>
Total	<u>\$ 136,338</u>	<u>\$ 10,834</u>	<u>\$ 147,172</u>

8. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

9. GRANTS

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

School Lunch Fund – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily through grants and student fees.

Municipal Building Authority – This fund is used to account for lease revenue payments from the District that are in turn used to service the debt associated with lease revenue bonds that were issued by the Authority in 1999 to construct additions and renovations to most of the District buildings and facilities.

WAYNE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue			Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Municipal Building Authority	
Assets:				
Cash and investments	\$ -	\$ 131,339	\$ 25,496	\$ 156,835
Receivables:				
Other governments	5,964	-	-	5,964
Inventory	2,921	-	-	2,921
Due from other funds	-	982	-	982
Total assets	<u><u>\$ 8,885</u></u>	<u><u>\$ 132,321</u></u>	<u><u>\$ 25,496</u></u>	<u><u>\$ 166,702</u></u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	982	-	-	982
Deferred revenue:				
Property taxes	-	-	-	-
Other governments	2,921	-	-	2,921
Local sources	-	-	-	-
Total liabilities	<u><u>3,903</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,903</u></u>
Fund balances:				
Unreserved:				
Undesignated	<u>4,982</u>	<u>132,321</u>	<u>25,496</u>	<u>162,799</u>
Total fund balances	<u><u>4,982</u></u>	<u><u>132,321</u></u>	<u><u>25,496</u></u>	<u><u>162,799</u></u>
Total liabilities and fund balances	<u><u>\$ 8,885</u></u>	<u><u>\$ 132,321</u></u>	<u><u>\$ 25,496</u></u>	<u><u>\$ 166,702</u></u>

WAYNE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Special Revenue			Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Municipal Building Authority	
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ -
Student fees	-	1,298	-	1,298
Lunch sales	60,262	-	-	60,262
Earnings on investments	-	-	856	856
State aid	22,755	26,508	-	49,263
Federal aid	97,588	5,480	-	103,068
Total revenues	180,605	33,286	856	214,747
Expenditures:				
Current:				
Instructional services	-	33,132	-	33,132
Supporting services:				
Other services	-	-	1,400	1,400
Debt Service:				
Interest payments	-	-	22,692	22,692
Principal retirements	-	-	137,000	137,000
School lunch services	199,632	-	-	199,632
Total expenditures	199,632	33,132	161,092	393,856
Excess of revenues over expenditures	(19,027)	154	(160,236)	(179,109)
Other financing sources:				
Transfer in	19,000	-	161,092	180,092
Equipment capital lease	-	-	-	-
Net change in fund balances	(27)	154	856	983
Fund balances - beginning	5,009	132,167	24,640	161,816
Fund balances - ending	\$ 4,982	\$ 132,321	\$ 25,496	\$ 162,799

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006		Variance with Final Budget - Positive (Negative)	2005
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 62,000	\$ 59,912	\$ (2,088)	\$ 59,371
Lunch Sales - adult	500	150	(350)	157
Other local sales	900	200	(700)	887
Total local sources	63,400	60,262	(3,138)	60,415
State sources:				
State lunch program	24,000	22,755	(1,245)	23,065
Total state sources	24,000	22,755	(1,245)	23,065
Federal sources:				
Federal lunch program	14,000	13,848	(152)	13,456
Free and reduced assistance	68,000	66,784	(1,216)	65,676
Breakfast program	4,000	5,273	1,273	3,831
Other	-	11,683	11,683	11,831
Total federal sources	86,000	97,588	11,588	94,794
Total revenues	173,400	180,605	7,205	178,274
Expenditures:				
Current:				
Salaries	95,000	92,175	2,825	90,897
Employee benefits	42,500	43,355	(855)	39,663
Supplies				
Food	55,000	49,302	5,698	50,474
Other	10,900	14,800	(3,900)	18,247
Total expenditures	203,400	199,632	3,768	199,281
Excess (deficiency) of revenues over expenditures	(30,000)	(19,027)	10,973	(21,007)
Other financing sources and (uses)				
Transfers in	25,000	19,000	(6,000)	21,000
Transfers out	-	-	-	-
Net change in fund balances	(5,000)	(27)	4,973	(7)
Fund balances - beginning	5,009	5,009	-	5,016
Fund balances - ending	\$ 9	\$ 4,982	\$ 4,973	\$ 5,009

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006		2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
			Actual Amounts
Revenues:			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Community school fees	1,300	1,298	(2)
Total local sources	1,300	1,298	(2)
State sources:			
Adult high school completion	16,000	16,453	453
Preschool	12,000	10,055	(1,945)
Total state sources	28,000	26,508	(1,492)
Federal sources:			
Special education preschool grant	5,500	5,480	(20)
Adult education	-	-	-
Total federal sources	5,500	5,480	(20)
Total revenues	34,800	33,286	(1,514)
Expenditures:			
Current:			
Salaries	18,000	16,811	1,189
Employee benefits	8,200	7,692	508
Purchased services	-	356	(356)
Supplies	8,500	8,273	227
Total expenditures	34,700	33,132	1,568
Excess (deficiency) of revenues over (under) expenditures	100	154	54
Fund balances - beginning	132,167	132,167	-
Fund balances - ending	\$ 132,267	\$ 132,321	\$ 54

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Municipal Building Authority
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ 500	\$ 856	\$ 356	\$ 340
Other local	-	-	-	-
Total local sources	500	856	356	340
Expenditures:				
Current:				
Other services	1,400	1,400	-	1,400
Debt Service:				
Interest payments	23,000	22,692	308	24,068
Principal retirement	139,100	137,000	2,100	125,000
Total expenditures	163,500	161,092	2,408	150,468
Excess (deficiency) of revenues over (under) expenditures	(163,000)	(160,236)	2,764	(150,128)
Other financing sources:				
Transfer in	163,000	161,092	(1,908)	150,468
Net change in fund balances	-	856	856	340
Fund balances - beginning	24,640	24,640	-	24,300
Fund balances - ending	\$ 24,640	\$ 25,496	\$ 856	\$ 24,640

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund services primary on-going operation of the District. It is used to account for activity and financial resources that are not required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 456,500	\$ 456,525	\$ 25	\$ 477,417
Earnings on investments	-	-	-	-
Other local revenues	-	-	-	1,200
Total local sources	456,500	456,525	25	478,617
State sources:				
Capital outlay foundation	-	-	-	-
State building aid	-	-	-	-
Other	-	-	-	-
Total state sources	-	-	-	-
Total revenues	456,500	456,525	25	478,617
Expenditures:				
Instructional Services:				
Supplies	70,000	66,000	4,000	75,000
Total instructional services	70,000	66,000	4,000	75,000
Land and buildings:				
Land improvements	-	-	-	-
Building improvements	79,000	76,098	2,902	39,968
Total land and buildings	79,000	76,098	2,902	39,968
Equipment:				
Equipment	59,900	61,000	(1,100)	-
Capital lease principal	7,000	6,462	538	5,564
Capital lease interest	2,100	2,085	15	2,983
Buses	-	-	-	-
Other vehicles	-	-	-	-
Total equipment	69,000	69,547	(547)	8,547
Total expenditures	218,000	211,645	6,355	123,515
Excess (deficiency) of revenues over (under) expenditures	238,500	244,880	6,380	355,102
Other Financing Sources (Uses):				
Transfer out	(163,000)	(161,092)	1,908	(150,468)
Equipment capital lease	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(163,000)	(161,092)	1,908	(150,468)
Net change in fund balances	75,500	83,788	8,288	204,634
Fund balance - beginning	1,013,500	1,013,500	-	808,866
Fund balance - ending	\$ 1,089,000	\$ 1,097,288	\$ 8,288	\$ 1,013,500

FIDUCIARY FUND

Student Activities Agency Fund – This fund is used to account for the receipt and disbursement of monies for student activity groups and organizations and other custodial type transactions within the schools. The District has a fiduciary responsibility concerning these funds to ensure their safety and accountability.

WAYNE COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	<u>Net Assets at July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2006</u>
Assets:				
Cash and investments	\$ 34,539	\$ 160,534	\$ 172,195	\$ 22,878
Due from cafeteria plan participants	-	-	-	-
Total Assets	<u>\$ 34,539</u>	<u>\$ 160,534</u>	<u>\$ 172,195</u>	<u>\$ 22,878</u>
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to cafeteria plan participants	2,419	18,013	17,974	2,458
Due to student organizations:				
Elementary Schools:				
Loa Elementary	17,413	8,402	8,209	17,606
Hanksville Elementary	(1,912)	2,219	681	(374)
Total elementary schools	15,501	10,621	8,890	17,232
Middle Schools:				
Wayne Middle	30,663	22,219	22,183	30,699
Total middle schools	30,663	22,219	22,183	30,699
High Schools & Special Purpose Programs:				
Wayne High	(14,044)	109,681	123,148	(27,511)
Total high schools and special purpose programs	(14,044)	109,681	123,148	(27,511)
Total due to student organizations	32,120	142,521	154,221	20,420
Total liabilities	<u>\$ 34,539</u>	<u>\$ 160,534</u>	<u>\$ 172,195</u>	<u>\$ 22,878</u>

SUPPLEMENTAL SECTION

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
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Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Wayne County School District
Bicknell, UT

November 27, 2006

We have audited the financial statements of governmental-type activities Wayne County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

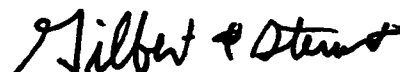
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Wayne County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Utah State Auditor, State Office of Education, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT AND STEWART
Certified Public Accountants

GILBERT & STEWART

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Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations

Board of Education
Wayne County School District
Bicknell, UT

November 27, 2006

We have audited the accompanying financial statements of the governmental activities of Wayne County School District for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah's Legal Compliance Audit Guide including:

The District received the following major State grants during the year ended June 30, 2006.

Minimum School Programs

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Wayne County School district's financial statements.)

School Lunch Program
Drivers Education
State Testing
Substance Abuse

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Budgetary Compliance
Cash Management
Property Tax
Purchasing Requirements
Other Compliance Requirements

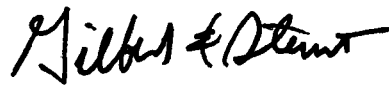
The management of the Wayne County School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirement referred to above.

In our opinion, Wayne County School District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

This report is intended solely for the information of management, the Board of Education, State Office of Education, and Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants